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TELEGRAM

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~~CONFIDENTIAL~~ BUENOS AIRES 1769

SUMMARY: Argentina closes shop during the summer months, politically as well as in other ways. There are crucial questions waiting to be resolved, now that the country is removing shutters and opening for business once again. Domestic issues almost overwhelm concerns for any other: the "scheme of power" debate must be reconvened; there is recognition of the need for the kind of basic reform which will take Argentina out of its chaos-repression cycles, but no consensus exists how to accomplish this and the president guards his counsel; economic issues threaten politics with serious and

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unforseeable consequences; and human rights, up to now not a domestic issue, may acquire domestic political importance. END SUMMARY

1. In March the weather cools, schools reopen, vacations end and the nation's political problems--deliberately put into the cooler during Christmas week--have once again to be faced. The ruling Argentine Junta will have a complicated political agenda. It is also a highly significant one: The emergency which brought this government to power in 1976 has just about ended; what remains is the trickier task of staying in power while working toward a more viable system of rule. Stagflation creates a difficult--possibly dangerous--economic atmosphere in which these political exigencies must be resolved.

2. Another factor contributes urgency, tension and expectation: The ~~XX~~ Junta as it exists now has only one more year to rule. Its self-imposed mandate ends March 24, 1979. Yet no one believes that all its members will vacate the political scene. ~~XXXXX~~ Will Videla ~~xxxx~~ arrange a mechanism for continuing leadership, or, far less likely, Massera will contrive to rule. Which? Or are there other possibilities?

3. This is how we see the political agenda:

4. Domestic affairs will predominate, almost to the exclusion of other concerns, and the central preoccupation

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is the "scheme of power". This game is tense. It conjures the image of three lumberjacks balanced on logs floating downriver, each with a pole for knocking off the others. Videla seeks a new mandate freed from the restrictions of Junta membership which at least in theory require its members to act as a single entity. This means that a "Fourth Man" acting as the nation's president, obviously the job to which he aspires, must control the tri-service Junta. Phrasing this as an institutional ordinance--which would put Videla home free from further inter-service power wrangles--may not be possible, for to institutionalize this kind of relationship requires the unlikely assent of both Navy and Air Force. Achieving this dominance merely in practice would be easier. This would require only that Videla have the army member of the Junta under his thumb--a thing he could accomplish, most people believe, just by arranging that General Viola succeed him as army commander.

Massera's idea is different. In any Fourth Man scheme a Junta would continue to exist as the nation's maximum authority, with the nation's president resembling a company president answerable to his Board of Directors. This theory of course finds favor both in the Air Force and the Navy, since only in this way can the two services achieve equality with the vastly more powerful Argentine

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Army. But the purity of this scheme is dissipated by Massera's personal ambition to rule Argentina as an elected civilian president--swept into office, presumably, by a grateful nation grown tired of military rule and seeking a popular but firm leader. Any scenario which would produce these results would suit Massera fine. There are indications Massera already has a scenario in mind, maybe more than one. He is however an opportunist who will not grow discouraged as one after another scheme is tried and abandoned. General Agosti, Air Force member of the Junta, seems most often to throw his support to Videla, rather than contribute to Admiral Massera's political ambitions.

5. Rebuilding and reform of political institutions will be of second domestic importance. One reason for this is a "politics of shame and disgust"--an acute sense that Argentina's politics has been unworthy. This military government has ~~xix~~ said time and again that Argentina must use this current opportunity to break away from its historical cycle of alternative civilian-military governments, each preceded by periods of chaos and each doomed by internal weaknesses. There may be widespread skepticism whether this basic reform can be accomplished, but there is little public argument that the historical sketch is accurate and that things need improving. Argentina

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has its share of military and political figures who learn nothing and forget nothing, but demand for reform which will break the old chaos-repression cycle nevertheless is widespread.

Videla has another compelling reason to want reform. He has read Argentine history and knows that talk of ten years or twelve years or twenty years of military rule is foolish. Regimes do not last that long here. Ever. Videla will either produce a more viable system of government or he will fall just as did his military president predecessors--and his civilian predecessors, for that matter.

We know little of Videla's plans. For him to reveal them would be to have them picked clean by his opposition almost at once. Videla is a subtle, patient politician. We believe his plan for the future is based on progressive civilianization of the government. We have no insight into the permanent, institutional arrangements a Second Videla Government might leave behind.

6. The politics of economics is vastly more complicated, but this too is an urgent issue. The political issues--here we present them just as that, as having a life of their own in the political life of the country only imperfectly related to economic realities--are large and somber. Critics of the economic policies of the

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government--they are legion--bemoan low wages, low purchasing power and high interest rates resulting from the government's monetary policy. There is an internal recession, and an inflation (still, despite improvement, the highest in the world) which impoverishes Argentina's salaried middle class. Labor is sullen and resentful. Factory closures present the spectre of unemployment which six months ago was virtually nonexistent. Government wages are particularly inadequate. All these create political facts over which the government has little control, and threaten confrontations with unforeseeable political consequences.

Videla's inclination will be to keep his money bet on Economy Minister Martinez de Hoz. He will nevertheless be bombarded with pleas for amelioration of the Minister's tough measures (including by his own Labor Minister), and the economy will remain a stick with which Massera or any critic will beat the President. In a serious confrontation Martinez de Hoz would have to be sacrificed. Yet the bitter criticism of the Minister's policies contains remarkably few alternative policy suggestions, and a decision to replace him would create serious political as well as economic problems.

7. Another domestic issue may grow to importance--that of the government's treatment of its citizens caught up in the anti-terrorist repression. Up to now this has not been a significant public issue. Too great was the

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relief that terrorism was being licked, and too great the revulsion at the corruption and ineptitude of the last government to complain of its successor's harshness.

Now this may be changing. The terror is no longer a fact of daily life. Even its memory loses poignancy. In these changed circumstances islands of grief of thousands of individual families could become a mass of discontent. "Human Rights"--largely because of US efforts--has come out of the closet and can be publicly debated. Means exist for grief and dismay to be aggregated and channeled. An especially troubled moment will be reached ~~wix~~ when the last political prisoner's name is published, and it becomes clear that the thousands of missing will remain unaccounted for.

We see this having no profound effect upon the structure or basic nature of government. (Should this government fall for other reasons however we can imagine a wave of recriminations.) What might be optimistically foreseen is that political pressures arising from human rights concerns will be turned to reducing the continuing "black operations" of the security forces, or at least to preventing their being carried over into such marginal areas as "intellectual subversion."

8. These overwhelming domestic concerns leave little energy for foreign ones. At Puerto Montt Argentina

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bought at least six months of tranquility in its Beagle dispute. Nagging questions with Brazil and Paraguay about the height of dams on the Parana can probably be left to engineers or career diplomats.

Many Argentine officials are troubled that relations with the United States are not better. Our frank displeasure has created a larger concerned audience than would have been the case were there no meaty issue like human rights. Our pronouncements find response in those who harbor doubts about how repression of terrorism is being handled here. These pronouncements have not however produced those basic attitudinal changes which would alter the nature of the warfare and ameliorate the condition of the survivors. Our policy of sermons and sanctions for human rights violations will nevertheless weigh on decision-makers, and will continue to produce gestures of good will after protracted debate as to their ~~xxxxx~~ utility.

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